

# DAVY DEFENSIVE HIGH YIELD FUND

FROM  
NEW IRELAND

## FUND PERFORMANCE SHEET OCTOBER 2019

### FUND OBJECTIVE

The Davy Defensive High Yield Fund (the 'Fund') is a risk managed fund which aims to offer equity market type returns but with reduced levels of volatility. The investment manager invests in large global companies which historically pay higher than average dividend yields. The investment manager implements a simple strategy that generates additional income. This additional income is then used to buy some 'insurance' to help protect it against significant equity market falls.

### KEY FACTS (AS AT 31ST OCTOBER 2019)

<b>FUND MANAGER</b>	Mark Seavers, Jonathan Linnane & Team
<b>INVESTMENT MANAGER</b>	Davy Asset Management
<b>INCEPTION</b>	30/09/2011
<b>STRUCTURE</b>	UCITS <sup>1</sup>
<b>DAILY VALUATION</b>	Yes
<b>PROVIDER</b>	New Ireland Assurance
<b>PORTFOLIO STATISTICS (AS AT 31ST OCTOBER 2019)</b>	
<b>P/E RATIO</b>	12.80
<b>INDICATIVE DIVIDEND YIELD</b>	3.37%
<b>PRICE/BOOK</b>	2.30
<b>RETURN ON EQUITY</b>	22.68%
<b>NO OF HOLDINGS</b>	54
<b>FUND VOLATILITY</b>	8.1%
<b>INDEX VOLATILITY</b>	11.3%

Source: Davy Asset Management, Style Analytics & Bloomberg

### FUND ENQUIRIES

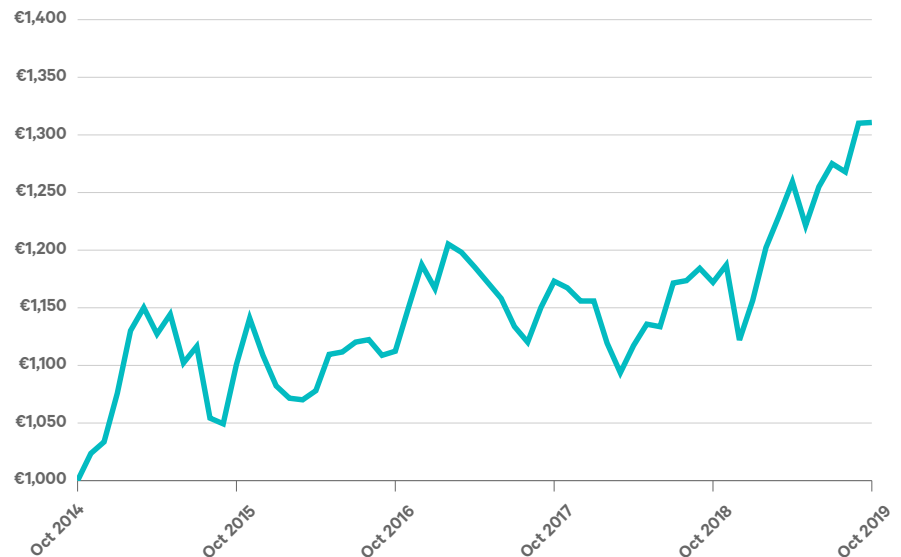
If you have any queries on this fund, please contact New Ireland directly or your independent financial adviser.

\*The Davy Defensive High Yield Fund from New Ireland invests in units of the Davy Defensive Equity Income Fund (UCITS), which is managed by Davy Asset Management.

### MONTHLY COMMENT

The Fund returned 0.05% in October. Equity markets started on a weak note due to concerns about the health of the US economy. The pullback was short-lived, however, as optimism grew that the US and China would make real progress on their ongoing trade dispute. Markets were also supported by an agreement between the UK and EU on the terms of the UK's withdrawal. The S&P 500 made a new all-time high during the month. Small and Mid-Cap stocks marginally outperformed their Large Cap counterparts. In terms of factor performance, Quality and Growth stocks were the strongest performers while the Value and High Dividend Yield underperformed during the month. The Options Strategy contributed negatively to the Fund relative performance during the month.

**FIGURE 1:** Growth of €1,000 to 31st October 2019\*\*



Source: New Ireland and Davy Asset Management.

**TABLE 1:** Rolling Fund Performance \*\*  
(As at 31st October 2019)

FUND PERFORMANCE	1M	3M	YTD	1YR	3YR (P.A.)	5YR (P.A.)
Davy Defensive High Yield Fund	0.1%	2.8%	16.8%	11.8%	6.0%	5.6%

**TABLE 2:** Calendar Year Performance \*\*

CALENDAR YEAR PERFORMANCE	2018	2017	2016	2015	2014
Davy Defensive High Yield Fund	-2.9%	-2.7%	7.1%	7.3%	14.3%

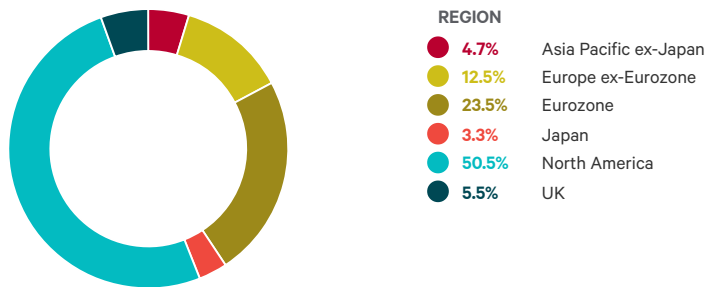
\*\* Source: New Ireland (Davy Defensive High Yield Fund Series 6, performance is quoted gross of taxation and net of fund management charge). The fund management charge and product charges will vary depending on the terms and conditions of your policy.

The performance of the New Ireland Davy Defensive High Yield Fund encompasses both the past performance of the Davy Defensive High Yield Fund, a sub-fund of the Skyline Umbrella Fund plc, from 30th September 2011 to 21 July 2015 and the past performance of the Davy Defensive Equity Income Fund (formerly Defensive Income Fund), a sub-fund of Davy Funds plc, from its launch on 22nd July 2015 to report date.

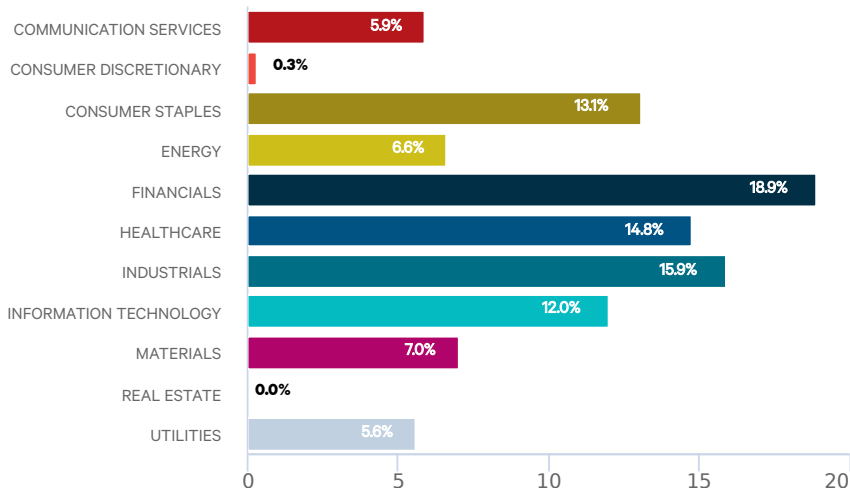
**WARNING: Past performance is not a reliable guide to future performance. The return on investments denominated in non-euro currencies may be affected by changes in currency exchange rates.**

In publishing this Fund Performance Sheet, Davy Asset Management aims to provide a summary of the Fund's activity and performance in the previous month which may be of interest to you. This document is not intended to constitute an offer or solicitation for the purchase or sale of any financial instruments, trading strategy, product or service and does not take into account the investment objectives, knowledge and experience or financial situation of any particular person. Investors should obtain advice based on their own individual circumstances from their own tax, financial, legal and other advisors before making an investment decision, and only make such decisions on the basis of the investor's own objectives, experience and resources.

**FIGURE 2: Geographic Allocation (% Equity)**\*\*\*



**FIGURE 3: Sector Allocation (% Equity)**\*\*\*



\*\*\* Source: Davy Asset Management & Bloomberg

**TABLE 3: Holdings**\*\*\*

TOP 10 HOLDINGS	% EQUITY
MICROSOFT CORP	5.2
JPMORGAN CHASE & CO	4.3
MERCK & CO	3.3
PROCTER & GAMBLE CO	3.2
JOHNSON & JOHNSON	3.1
NESTLE SA/AG	2.9
TAIWAN SEMICONDUCTOR MFG CO	2.7
PUBLIC SERVICE ENTRPR GRP INC	2.7
PFIZER INC	2.7
PEPSICO INC	2.5

**TABLE 4: Market Capitalisation**\*\*\*

MARKET CAPITALISATION	% EQUITY
MEGA-CAP (>€50 BILLION)	76.8
LARGE-CAP (€10- €50 BILLION)	20.7
SMALL AND MID-CAP (<€10 BILLION)	2.5

Weightings in holdings, sector allocation and geographic allocation are indicative only and may change subject to the discretion of the Manager. Due to rounding, some totals may not equal 100%.

## STRATEGIC OVERVIEW

The investment manager adheres to a strict investment process and invests in large global stocks which historically pay higher than average dividend yields.

The investment manager sells call options on some of the stocks within the portfolio (the UCITS fund) using a simple options strategy that provides the Fund with additional income.

The investment manager will use this additional income from selling the call options to buy some 'insurance' to help protect it against significant equity market falls.

## STOCK SELECTION

The stock selection process involves a number of stages:

**A.** The global universe of stocks is quantitatively screened to identify attractive candidates for possible selection by the investment manager. These candidates will display the following characteristics:

- Dividend yields which are typically above the global sector average
- Positive dividend growth
- Financial strength, as reflected in solid balance sheets and cash flow statements
- Attractive valuations

**B.** The investment manager then undertakes rigorous fundamental analysis of the candidates that meet the screening criteria and, where possible, meets the company management.

**C.** From the list of these candidates, the investment manager selects stocks which will be structured.

**STRUCTURE:** The Davy Defensive Equity Income Fund is a sub-fund of Davy Funds plc, an open-ended umbrella investment company with variable capital and segregated liability between sub-funds incorporated with limited liability in Ireland under the Companies Act 2014 and is governed by the laws of Ireland and authorised by the Central Bank of Ireland (i.e. UCITS Fund). Subscriptions may only be based on the current Prospectus together (where applicable) with the most recent annual report and (if issued after such report) the most recent semi-annual report. A copy of the Prospectus and reports (where issued) may be obtained free of charge from the Administrator to the Fund. Please refer to fund documentation for information on fees and charges that apply to your investment. Retail investors may gain exposure to the UCITS Fund through the New Ireland platform. The performance of the New Ireland Defensive High Yield Fund is linked to the performance of the UCITS Fund. For further information on the New Ireland Defensive High Yield Fund or to make additional premiums, please contact your financial adviser or New Ireland. Please refer to your policy documentation for information on fees, charges and risks that apply to this investment.

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